

VZCZCXRO2439

PP RUEHAO RUEHCD RUEHGA RUEHGD RUEHGR RUEHHA RUEHHO RUEHMC RUEHMT
RUEHNG RUEHNL RUEHQU RUEHRD RUEHRG RUEHRS RUEHTM RUEHVC
DE RUEHCV #1378 3011341
ZNR UUUUU ZZH
P 281341Z OCT 09
FM AMEMBASSY CARACAS
TO RUEHC/SECSTATE WASHDC PRIORITY 3890
INFO RUEHWH/WESTERN HEMISPHERIC AFFAIRS DIPL POSTS
RHEBAAA/DEPT OF ENERGY
RHEHNSC/NSC WASHDC
RUMIAAAA/HQ USSOUTHCOM MIAMI FL
RUCPDOG/DEPT OF COMMERCE
RUEATRS/DEPT OF TREASURY

UNCLAS CARACAS 001378

SENSITIVE
SIPDIS

HQ SOUTHCOM ALSO FOR POLAD
TREASURY FOR MKACZMAREK
NSC FOR DRESTREPO AND LROSSELLO
USDOC FOR 4332 MAC/ITA/WH/JLAO

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [VE](#)

SUBJECT: PDVSA SELLS USD 3.2 BILLION WORTH OF BONDS

REF: A. CARACAS 1340

[1](#)B. CARACAS 1362

[1](#)C. CARACAS 1228

[1](#)1. (U) PDVSA announced on October 26 that it will sell USD 3.2 billion (face value) of a Petrobono combination (see ref A for details). It said it accepted all offers received but did not give further details about who the buyers were. As the bonds are dollar-denominated but bought from PDVSA in bolivars, PDVSA will raise about 9.7 billion bolivars with this issuance (Bs 9.7 billion = USD 3.26 billion in face value x 2.15 Bs/USD (the official exchange rate) x 138 percent (the price)). A financial sector contact told Econoff he expected banks and, secondarily, insurance companies were the major purchasers of these bonds thanks to incentives offered by the Venezuelan government (GBRV) and the Central Bank (BCV; ref B). Further sweetening the deal for banks, the National Assembly is in the process of modifying the Central Bank law in a way that will allow the BCV to buy PDVSA debt (septel). (This modification would reduce the default risk for local banks, as it gives an implicit guarantee that the BCV would accept PDVSA debt through its discount window in return for local currency.) Several financial sector contacts also noted it appeared either PDVSA or the GBRV was buying back an undetermined quantity of PDVSA bonds (specifically the Petrobono 2011 sold in July) in an effort to lower the anticipated yield of the new Petrobono issuance.

[1](#)2. (SBU) Comment: This issuance was successful in that PDVSA raised the amount it originally intended. However, it also showed the limitations the GBRV and PDVSA face in using dollar-denominated bonds purchased in bolivars as a means of controlling the parallel rate (ref C). The primary limitation is that the more debt the GBRV and PDVSA issue, the higher the yield demanded by international investors to buy the bonds on the secondary market. In this case, investors apparently proved unwilling initially to pay the price asked by PDVSA given the yield they expected the bonds would bring on the secondary market, thus causing the BCV and GBRV to provide additional incentives. End comment.
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